

Airport serving rural areas. A nonprofit organization formed to operate an airport that is located on land owned by a municipality that supervises its overall operation, is used by the general public and key local businesses essential to the economy of a four-county rural area having no other airport facilities, uses volunteers to provide administrative and maintenance services for the organization, and uses income derived from government grants, hangar rentals, and the sale of gasoline and oil for permanent improvements, maintenance, and daily operations qualifies for exemption under section 501(c)(4) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The organization was formed to operate an airport on land owned by a municipality pursuant to a contract with the municipality's city council. The municipality supervises the overall operation of the airport through a special committee appointed by the city council.

The airport serves a four-county rural area that has no other airport facilities. Although any member of the community may use the airport, most of the planes berthed at the airport are owned by key local businesses that are essential to the area's economy. The airport is used predominantly by executives, employees, and clients of the local companies. Hangars are rented on a month-to-month basis and are available to any aircraft owner in the community. The airport is also used by transient aircraft. Additionally, medical personnel serving the community and officials connected with a local dam and reservoir project frequently use the airport.

The Federal Aviation Administration (F.A.A.) has provided grant aid to the organization. Under the grant program, the organization had to demonstrate that the airport is available for public use on fair and reasonable terms, and that there is a community need for such a facility. Other income consists of an annual stipend from the municipal government, hangar rentals, and amounts received from the sale of gasoline and oil products to pilots using the airport. All income is expended for permanent improvements to the airport, maintenance, and daily operations. Local residents provide administrative and maintenance services for the organization without compensation.

Section 501(c)(4) of the Code provides for exemption from federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the primarily engaged in welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

By operating an airport not otherwise available to the people of a rural area, the organization is meeting a community need. The overall supervision and control exercised by the city council ensures that the organization is responsive to the community. The use of volunteer services and receipt of government grants are indicative of the fact that the organization is not carrying on a business with the general public in a manner similar to organizations operated for profit.

Therefore, the organization is prompting the common good and general welfare of the people of the community within the meaning of section 1.501(c)(4)-1(a)(2) of the regulations.

Accordingly, the organization qualifies for exemption from federal income tax under section 501(c)(4) of the Code.

See Rev. Rul. 78-69, 1978-1 C.B. 156, which holds that a nonprofit organization formed by residents of a suburban community to provide bus transportation between the community and the major employment centers in a metropolitan area during rush hours when regular bus service is inadequate qualifies for exemption under section 501(c)(4) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(4) of the Code. See section 1.501(a)-1 of the regulations. The application should be filed with the District Director of Internal Revenue for the key district indicated in the instructions to the Form 1024.